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Message Text

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EXDIS, FOR USOECD

E.O. 11652: GDS

TAGS:PEPR, TU, US

SUBJECT: US-TURKEY RELATIONS - ECONOMIC ISSUES

REF: STATE 056157

1. TURKISH AMBASSADOR ESENBEL CALLED ON DEPARTMENT COUNSELOR NIMETZ MARCH 7 TO DISCUSS FEBRUARY 22-23 TALKS CONDUCTED IN ANKARA BY NIMETZ. ESENBEL SPOKE FROM REPORTING CABLE, BUT IT WAS NOT CLEAR WHETHER HE WAS UNDER SPECIFIC INSTRUCTIONS.

2. ESENBEL SAID IT WAS HIS IMPRESSION THAT NOT MUCH HAD BEEN ACCOMPLISHED AND THAT TURKISH REPRESENTATIVES HAD
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BEEN SHOCKED, DISAPPOINTED AND DISTRESSED BY LACK OF SATISFACTORY RESPONSE TO TURKEY'S APPEAL FOR SHORT-TERM ECONOMIC SUPPORT. TERMING THE US ATTITUDE AS RATHER "RIGID", ESENBEL SAID THAT GOT HAD MADE SPECIAL EFFORT TO KEEP DISAPPOINTING ASPECTS OF MEETINGS OUT OF PRESS.

3. NIMETZ RESPONDED THAT HE HAD NOT GONE TO ANKARA WITH

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A PACKAGE TO HELP TURKEY AND WAS FRANKLY SURPRISED THAT TURKISH OFFICIALS HAD EXPECTED THIS. NIMETZ POINTED OUT THAT THE TALKS SECRETARY VANCE HAD IN ANKARA IN JANUARY WERE VERY GENERAL. NIMETZ SAID TURKISH OFFICIALS WITH

WHOM HE SPOKE HAD BEEN UNABLE PROVIDE DETAILS OF TURKEY'S NEEDS AND THE PLANS OF THE NEW ECEVIT GOVERNMENT TO DEAL WITH THEM. FOR EXAMPLE, NO ESTIMATE WAS EVEN PROVIDED OF 1978 CURRENT ACCOUNT DEFICIT, OR TURKEY'S OFFICIAL DEBT TO THE USG. NIMETZ POINTED OUT THAT IN THE CASE OF OTHER COUNTRIES IN SIMILAR SITUATIONS SUCH INFORMATION WAS FORTHCOMING. IN ANY CASE, THE FIRST STEP FOR A COUNTRY IN TURKEY'S CURRENT SITUATION IS TO NEGOTIATE WITH THE IMF; NO OTHER COUNTRY WOULD OFFER ITS OWN SEPARATE PACKAGE. NIMETZ ALSO REMINDED ESENBEL THAT ANY AID FOR TURKEY WOULD HAVE TO COME FROM CONGRESSIONALLY APPROPRIATED FUNDS. HE COMMENTED THAT THE ADMINISTRATION WOULD HAVE ENOUGH TROUBLE WITH DCA PASSAGE IN CONGRESS. NIMETZ SAID HE HAD TOLD GOT OFFICIALS IN ANKARA THAT PERHAPS WE COULD BE HELPFUL IN THE FUTURE ONCE THE DCA/EMBARGO PROBLEM WAS RESOLVED AND THERE WAS REAL IMPROVEMENT ON CYPRUS,THROUGH SUCH MEANS AS POSSIBLY A FY-1980 SECURITY SUPPORTING ASSISTANCE PROGRAM AND EXPORT-IMPORT BANK CREDITS ONCE AN IMF AGREEMENT WAS REACHED AND A STABILIZATION PROGRAM WAS IN PLACE. IN RESPONSE TO ESENBEL'S CLAIM THAT US WAS GENEROUS IN ITS ASSISTANCE TO CONFIDENTIAL

PORTUGAL, NIMETZ POINTED OUT THAT AFTER TWO YEARS PORTUGAL WAS ONLY NOW BEGINNING TO GET SUCH AID. IN ANY EVENT PORTUGAL WAS UNIQUE IN MANY WAYS. NIMETZ SAID THAT HE REALIZED THAT HIS MESSAGE IN ANKARA WAS NOT WHAT THE TURKISH GOVERNMENT WANTED TO HEAR, BUT IT WAS BEST TO BE REALISTIC AND NOT CONVEY A MISLEADING IMPRESSION.

4. ESENBEL RECALLED HIS OWN INVOLVEMENT IN THE 1954-1958 PERIOD IN NEGOTIATIONS WITH THE USG AND THE IMF WHICH LED TO MASSIVE US SHORT AND LONGER TERM AID, INCLUDING THE ORGANIZATION UNDER US LEADERSHIP OF THE OECD CONSORTIUM FOR TURKEY. ESENBEL ALSO RECALLED THAT HE HAD SERVED AS INTERPRETER FOR THE SEPTEMBER 1977 CAGLAYANGIL MEETING IN WASHINGTON WITH IMF OFFICIAL WOODWARD. THE ECEVIT GOVERNMENT HAD ALREADY TAKEN ALL OF THE MEASURES DISCUSSED AT THAT TIME VIZ REDUCED IMPORTS, ADOPTION OF A MODERATE BUDGET, A SHARP DEVALUATION, WITHDRAWAL OF THE FOREIGN EXCHANGE GUARANTEE FOR CONVERTIBLE LIRA DEPOSITS, ETC. ESENBEL EXPRESSED THE VIEW THAT THE US SHOULD INDICATE IT INTENDED, FOLLOWING A TURKISH-IMF AGREEMENT, TO DO SOMETHING FOR TURKEY IN A SIGNIFICANT WAY.

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5. NIMETZ REPLIED THAT AFTER TURKEY WORKS OUT AN AGREE-
MENT WITH THE IMF IT WAS OUR IMPRESSION THAT SOME PRIVATE
BANKS WOULD AT LEAST BE WILLING TO CONSOLIDATE OUTSTANDING
PRIVATE DEBT. NIMETZ COMMENTED THAT A CONGRESSMAN HAD
RECENTLY TOLD HIM THAT BECAUSE TURKEY'S CURRENT CYPRUS

INVOLVEMENT WOULD SEEM TO BE A HEAVY FINANCIAL COST FOR
THE GOT, HE COULD NOT UNDERSTAND HOW ANY USG AID TO TURKEY
WOULD NOT IN A SENSE REPRESENT A SUBSIDY FOR TURKEY'S
CYPRUS EXPENDITURES. NIMETZ SAID THAT WITHIN A MULTILATERAL
FRAMEWORK THE USG WAS WILLING TO CONSIDER THE POSSIBILITY
OF CONSOLIDATION OF OFFICIAL DEBT. HE ASSURED ESENBEL
THAT THE US WAS CONCERNED ABOUT TURKEY'S ECONOMIC PROBLEMS
AND RECOGNIZED THE SOCIAL/POLITICAL ASPECTS OF THESE
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PROBLEMS. WE WOULD TRY TO BE CREATIVE AND POSITIVE. BUT
NIMETZ SAID HE COULD NOT BE OVERLY OPTIMISTIC ABOUT WHAT
COULD BE DONE IN THE SHORT TERM. HE URGED THAT WE AND
OTHER WESTERN GOVERNMENTS BE KEPT INFORMED IN AS SPECIFIC
A WAY AS POSSIBLE.

6. ESENBEL SAID HE HAD NOT YET HEARD HOW THE TALKS WHICH
HAD BEGUN MARCH 6 IN WASHINGTON BETWEEN A TURKISH TEAM
AND THE IMF WERE GOING. HE NOTED THAT GOT TEAM WOULD ALSO
BE SEEING IBRD. VANCE

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